



June 2007

# Legislative Audit Division

State of Montana

Report to the Legislature

## Performance Audit

### How the State of Montana Assures Dependent Eligibility for Health Insurance

#### Department of Administration

The Department of Administration has limited controls to assure compliance with dependent eligibility criteria for Montana's health insurance. Audit work identified ineligible dependents in the following categories:

- ▶ Deceased
- ▶ Ex-spouses
- ▶ Married children
- ▶ Children working full-time

This report provides recommendations to implement a system of accountability regarding dependent eligibility for State of Montana health insurance.

Direct comments/inquiries to:  
Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

07P-03

<http://leg.mt.gov/css/audit>

Help eliminate fraud, waste, and abuse in state government. Call the Fraud Hotline at 1-800-222-4446 statewide or 444-4446 in Helena.

## **PERFORMANCE AUDITS**

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. The audit work is conducted in accordance with audit standards set forth by the United States Government Accountability Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, mathematics, statistics, economics, political science, criminal justice, computer science, education, and biology.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

### **MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE**

Senator Joe Balyeat, Vice Chair  
Senator Greg Barkus  
Senator Steve Gallus  
Senator Dave Lewis  
Senator Lynda Moss  
Senator Mitch Tropila

Representative Bill Beck  
Representative Bill Glaser  
Representative Betsy Hands  
Representative Hal Jacobson  
Representative Mike Phillips  
Representative John Sinrud

# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
Tori Hunthausen,  
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:  
James Gillett  
Angie Grove

June 2007

The Legislative Audit Committee  
of the Montana State Legislature:

This is a performance audit of the Department of Administration's controls to assure eligibility of dependents covered on the State of Montana health insurance program. The Health Care and Benefits Division within the Department of Administration is responsible for managing the state health insurance program. This report provides conclusions and recommendations for monitoring eligibility of dependents. A written response from the Department of Administration is included at the end of the report.

We wish to express our appreciation to the Healthcare and Benefits Division staff of the Department of Administration for their cooperation and assistance during the audit.

Respectfully submitted,

*/s/ Scott A. Seacat*

Scott A. Seacat  
Legislative Auditor

# **Legislative Audit Division**

---

## **Performance Audit**

### **How the State of Montana Assures Dependent Eligibility for Health Insurance**

**Department of Administration**

Members of the audit staff involved in this audit were Bridget Butler and Jessie Solem (Information Systems Auditor).

## Table of Contents

---

Appointed and Administrative Officials .....	ii
List of Figures and Tables .....	iii
Report Summary .....	S-1
<b>Chapter I – Introduction and Background.....</b>	<b>1</b>
Introduction.....	1
Division Organization.....	1
Department Responsibility .....	1
State of Montana Health Benefits.....	1
Costs of Providing Health Benefits .....	2
Number of Individuals Insured through State of Montana .....	2
Eligibility Reconciliation.....	3
Biennial Audit Required by Law Is Limited in Scope .....	4
Audit Scope and Methodologies.....	4
<b>Chapter II – Program Requirements vs. Program Controls .....</b>	<b>7</b>
Introduction.....	7
Eligibility Policy.....	7
Conclusion: Eligibility Control Exists in One Area Only .....	8
DOA Primarily Relies on Honesty as an Assurance of Eligibility .....	8
Technological and Societal Shifts Define New Eligibility Parameters .....	9
Conclusion: DOA Does Not Provide Needed Assurance .....	9
Ineligible Dependents Identified.....	9
Monetary Impacts to the State of Montana.....	10
<b>Chapter III – Additional Accountability Needed.....</b>	<b>13</b>
Introduction.....	13
Industry Standards Affirm the Need for Eligibility Verification.....	13
Dependent Eligibility Audits Will Help .....	13
Other States Conduct Dependent Eligibility Audits .....	14
Montana Can Do Better .....	14
<b>Department Response.....</b>	<b>A-1</b>
Department of Administration .....	A-3

## **Appointed and Administrative Officials**

---

### **Department of Administration**

Janet R. Kelly, Director

Sheryl Olson, Deputy Director

Connie Welsh, Administrator, Health Care and Benefits Division

Randy Morris, Administrator, State Personnel Division

## List of Figures and Tables

---

### **Figures**

Figure 1	Percent of Individuals Covered Under State of Montana Health Insurance in 2006.....	3
----------	--	---

### **Tables**

Table 1	State of Montana Health Insurance Plan Options and Monthly Premiums .....	2
Table 2	Sample of Ineligible Dependents Reviewed and Associated Dollar Impact to the State .....	11

# How the State of Montana Assures Dependent Eligibility for Health Insurance

**Limited controls exist to assure compliance with dependent eligibility criteria for State of Montana health insurance.**

## Audit Findings

The State of Montana insures approximately 31,000 individuals consisting of active employees, retirees and dependents. [The largest of these groups is dependents, comprising 51 percent of the total.](#) A dependent is defined as the eligible employee's lawful spouse or declared domestic partner. A dependent may also be the eligible employee's dependent child who is under age 25, unmarried, not employed with an organization for which the dependent is entitled to group insurance, and not in full-time active military service. [Eligibility controls for adhering to dependent eligibility criteria exist in only one area.](#) The Department of Administration (DOA) provides assurance that dependents over 25 are not covered under the State of Montana health insurance. DOA has an internal control built into the state human resource system which calculates and verifies the age of dependents. However, there is not a comprehensive system of controls in place and most eligibility criteria are not monitored. [DOA relies on employee honesty as an assurance of eligibility.](#) Audit work identified ineligible dependents in the following categories:

- Deceased
- Ex-spouses
- Married children
- Children working full-time

The total number of ineligible dependents identified was 149. This is out of all 16,000 dependents. A sample of ineligible dependents showed claims paid on ineligible dependents ranged from \$0 to \$11,707 per individual. Industry standards affirm the need for eligibility verification. Regularly scheduled dependent eligibility audits would help assure the state's plan covers only eligible dependents. [Audit findings identified ineligible dependents being covered under the State of Montana health insurance plan for as long as 75 months.](#) Each ineligible dependent being covered, adversely affects claim payments, premiums, and is an unnecessary expense to the State of Montana.

## Audit Recommendations

This report provides recommendations to implement a system of accountability regarding dependent eligibility for State of Montana health insurance.



# Chapter I – Introduction and Background

---

---

## Introduction

This audit examines the controls used to monitor eligibility of state employees' dependents and assesses the potential effect of ineligible dependents. As part of employee benefits, the State of Montana provides health insurance coverage for its employees and their dependents. The State of Montana's health insurance program is a self-insured program. The program is administered by the Health Care and Benefits Division (HCBD) of the Department of Administration (DOA).

---

## Division Organization

HCBD is a newly created division (FY 2007) responsible for implementing state benefits. HCBD was previously organized as a bureau under the State Personnel Division (SPD) within DOA. HCBD still works in conjunction with SPD to determine benefit eligibility of state employees and their dependents. SPD is responsible for maintenance of eligibility information in the state's human resource system upon initial hire of state employees and for any changes in eligibility that may occur. Payroll personnel within each state agency work with SPD to add or update eligibility information on employees and dependents. SPD officially authorizes health insurance coverage to begin for employees and their dependents.

---

## Department Responsibility

Current law gives DOA responsibility to develop health insurance policies for state employees and their dependents. The State of Montana allows dependents to be insured under state employee health benefits. HCBD policy specifically defines eligibility criteria of state employees and their dependents. Policy also exists requiring employees to self report any change in eligibility status for their dependents and repay any claim dollars paid out for an ineligible dependent which exceed premiums collected. Our audit focused on how the department monitors dependent eligibility.

---

## State of Montana Health Benefits

The state offers benefits under two different types of medical plans (traditional, managed care) which are administered by three different providers: Blue Cross/Blue Shield of Montana, New West Health

## Chapter I – Introduction and Background

---

Services, and Peak. The following table illustrates the plan options and associated premiums for plan year 2007.

<b>Table 1</b>				
<b><u>State of Montana Health Insurance Plans Options and Monthly Premiums</u></b>				
Year 2007				
<b>Administrator and Plan Type</b>	<b>Monthly Premiums for Individuals Covered</b>			
	Employee	Employee plus ...		
		Spouse	Children	Family
BC/BS Traditional	\$526	\$698	\$652	\$726
BC/BS Managed Care	\$508	\$668	\$626	\$696
Peak Managed Care	\$438	\$586	\$550	\$610
New West Managed Care	\$418	\$564	\$528	\$586

**Source: Compiled by the Legislative Audit Division from department records.**

In addition to the above medical plans, the state provides dental, pharmacy and vision benefits through Blue Cross/Blue Shield, Pharmacare, and VSP, respectively.

---

### **Costs of Providing Health Benefits**

The state received \$98,581,474 in premiums for FY 2006 and \$89,722,025 was paid out in claims. For FY 2007, the state contributes \$557 a month toward each employee's health insurance premium. This is an increase of \$51 from FY 2006. If an employee's monthly premium is less than \$557, the employee may put the extra allowable funds toward purchasing other benefits such as life insurance, vision, long term disability, or long term care. They may also set funds aside in a medical flexible spending account.

---

### **Number of Individuals Insured through State of Montana**

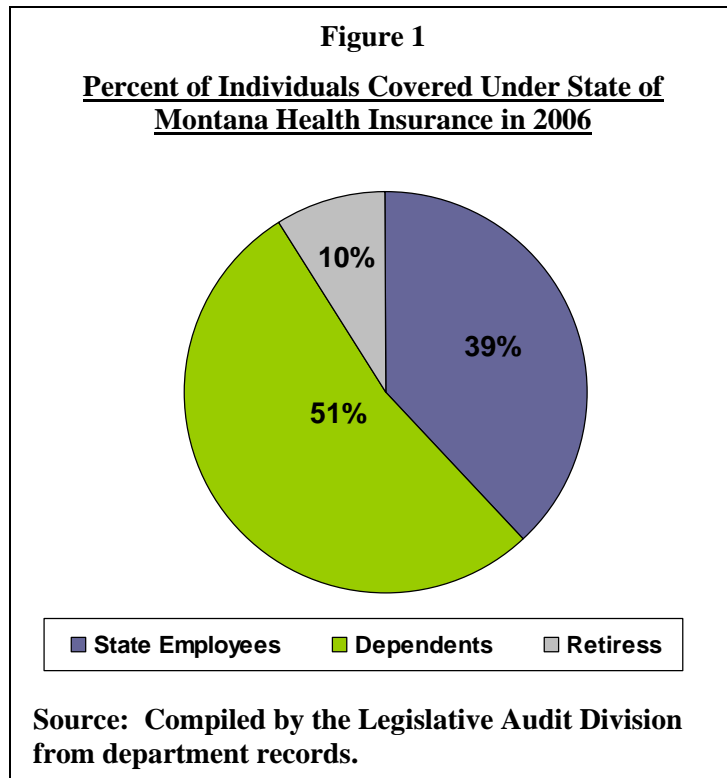
During 2006 there were approximately 12,000 full-time state employees, 16,000 dependents and 3,000 retirees for a general total of 31,000 covered individuals under the State of Montana health

---

## Chapter I – Introduction and Background

---

insurance plan. The following chart illustrates the percent of individuals covered by category.



---

### Eligibility Reconciliation

The state has centralized a large portion of its eligibility reconciliation by utilizing Montana Association of Health Care Purchaser's (MAHCP) services. The eligibility reconciliation process conducted by MAHCP is used to confirm that individuals, whom the state says are eligible for coverage, are the same individuals the respective third party administrators (TPAs) list as eligible for health insurance coverage under the State of Montana plan.

MAHCP is a non-profit association formed by large employers in Montana that are self-insured entities. It was founded in 1994 and its aim is to pool purchasing power to encourage competition and quality improvement among health care providers. The Montana University System and the State of Montana are both members of MAHCP as well as eight other public and private employers in the state. This association provides eligibility reconciliation services,

## Chapter I – Introduction and Background

---

efficiency reports on health plans, used to underwrite the benefits, procures contracts such as the managed care contracts and the pharmacy contract used by the State of Montana, and provides a claims repository to support items identified in prior audit findings such as appropriate administration of lifetime maximums and case management support. The average annual cost to the State of Montana for MAHCP services is \$293,000. This cost is based on both annual membership and additional fees charged for the various services mentioned.

MAHCP developed, at the state's request, a program to create an eligibility report by matching various fields such as name, birth date, and identification number in eligibility files created by the state and TPAs. On average there are approximately 100 discrepancies every two weeks due to various status changes of eligible members. Any discrepancies identified are communicated and resolved between the state and the TPA.

---

### **Biennial Audit Required by Law Is Limited in Scope**

Montana law requires the Legislative Audit Division conduct a claims audit of the state's self-insured health plan. The Legislative Audit Division contracts with a private auditing firm to conduct this audit of medical and pharmacy claims for the employee benefit plans at the State of Montana and the Montana University System (MUS). An audit is conducted every biennium. The most recent claims audit was presented to the Legislative Audit Committee in December 2006. The scope of the audit tested medical, dental and pharmacy claims and evaluated the eligibility of claimants to receive payment. The contracted cost of this audit is \$38,000 and is split between DOA and MUS. This audit is not designed to conduct testing of the state's eligibility controls.

---

### **Audit Scope and Methodologies**

Performance audit work focused on DOA's controls for assuring eligibility of dependents. Audit scope was limited for several reasons. Due to the existing bi-weekly eligibility reconciliation between the state and TPAs and the contracted claims audit that is required by law, performance audit work did not examine processes and controls used by TPAs. The scope of this audit also excludes

## **Chapter I – Introduction and Background**

---

MUS employees and their dependents due to variances in MUS's processes for determining eligibility (which are different at each campus) and governance by the Board of Regents rather than DOA. We established two main objectives for this audit:

1. Determine if Department of Administration controls monitor compliance with state statutes and policies regarding dependent eligibility for health insurance.
2. If controls are limited, determine the overall impacts to the program and any additional controls needed.

To address these objectives, audit work focused on eligibility of dependents for the past two years. Work included reviewing eligibility of individual dependents from January 2005 through December 2006. Databases from the Support and Vital Records Bureau at the Department of Public Health and Human Services as well as records from the Department of Labor and Industry's Unemployment Insurance Division were used for comparison with the database of eligible dependents in DOA's state human resource system. Additional methodologies used to address objectives include:

- ▶ Review of applicable laws and policies
- ▶ Interviews with staff at DOA
- ▶ Interviews with representatives of TPAs and MAHCP
- ▶ A survey of state employees
- ▶ Interviews with personnel staff in three state agencies

The details and findings of our audit work are discussed in the next two chapters.



# Chapter II – Program Requirements vs. Program Controls

---

---

## Introduction

Our first objective was to determine if Department of Administration (DOA) controls are sufficient to monitor compliance with State of Montana eligibility statutes and policies regarding health benefits. To address this objective, we reviewed eligibility requirements and controls in place to identify noncompliance of the State of Montana health insurance plan. Through audit work we concluded DOA has limited controls in place, which in turn has adversely impacted the compliance with eligibility criteria.

---

## Eligibility Policy

The Health Care and Benefits Division (HCBD) created an Employee Benefits Summary Plan Document. This document provides details of what constitutes an eligible dependent as well as outlines specific employee benefits. This document also specifies it is the employee's responsibility to remove any ineligible dependent from coverage. A dependent is defined as the eligible employee's lawful spouse or declared domestic partner. A dependent may also be the eligible employee's dependent child who is under age 25, unmarried, not employed with an organization for which the dependent is entitled to group insurance, and not in full-time active military service. Legislation (SB419) passed during the 2007 legislative session may change some of this criteria. State employees have 31 days after being hired to add dependents. If dependents are not added upon initial hire, they can only be added to coverage under one of the following qualifying events:

- ▶ Marriage, divorce, legal separation, or a change in a custody/support order.
- ▶ Death of a spouse or child.
- ▶ Birth or adoption of a child.
- ▶ Employment change of a spouse, which affects his/her eligibility for benefits.
- ▶ Major change in a spouse's benefits.
- ▶ A dependent child's loss of eligibility.
- ▶ Loss of other health benefits such as Medicaid, Medicare, or CHIP by a dependent.

## Chapter II – Program Requirements vs. Program Controls

---

A dependent child's loss of eligibility could be due to age, marriage etc. A major change in spouse's benefits could be due to an increase in deductible or out-of-pocket premium costs.

---

### **Conclusion: Eligibility Control Exists in One Area Only**

After reviewing existing statutes and policies, we examined the controls in place to assure compliance with these requirements. One area in which DOA provides assurance is in testing eligibility compliance for children who reach age 25 and are no longer eligible under the State of Montana health plan. The department has an internal control built into the state human resource system which calculates and verifies the age of dependent children. This program control uses the date of birth supplied to the State Personnel Division (SPD) when the child is first entered into SABHRS and covered on the state health insurance. SPD runs a monthly report to discern if any children covered under their parents are over the age of 25. State policy allows a child to be covered as a dependent until age 25 unless the child is disabled. Audit work conducted to test the internal control report within SABHRS found it to be reliable. Data analysis of dependent children found only two dependent children covered under the State of Montana health insurance were over the age of 25 years old and they were both designated disabled.

---

### **DOA Primarily Relies on Honesty as an Assurance of Eligibility**

Overall, we found a comprehensive system of controls is not in place and most eligibility criteria are not monitored. Historically, DOA has relied on the honesty of state employees to self-report dependents who become ineligible due to a status change and to follow the eligibility policies established by the department. The department also believes the additional premium required for dependents is a deterrent for keeping ineligible off the health insurance plan.

The eligibility system in the past was a cumbersome paper system. To match this paper system with other databases to verify dependent status was a highly difficult and time consuming task. The system of verifying eligibility is now easier because information is stored and transmitted electronically. Although the eligibility system is electronic, as are numerous accessible databases that could be used



---

## Chapter II – Program Requirements vs. Program Controls

---

to help verify eligibility status, the department still relies on old methods to assure eligibility (employee honesty).

---

### **Technological and Societal Shifts Define New Eligibility Parameters**

In addition to changes in technology, families no longer solely exist in the “traditional” roles they once did. Family roles and the definition of a dependent have changed. There are domestic partners, step children, dependent grandchildren, etc. As a result, the criteria for monitoring an eligible dependent has become more complex. The technological and societal shifts surrounding eligibility of dependents suggests health insurance plans should adjust eligibility verification procedures to keep up with the changes; yet Montana has not adjusted their procedures.

---

### **Conclusion: DOA Does Not Provide Needed Assurance**

Although, through policy, a dependent is no longer eligible if any of the following status changes take place, DOA does not verify if changes occur. Status changes to dependent eligibility not currently monitored are:

- ▶ Children who begin working with an employer who offers health coverage
- ▶ Children enrolling in an active, full-time military status
- ▶ Children who get married
- ▶ Divorce of a spouse currently covered as a dependent

DOA does not provide assurance over eligibility requirements specified in law and policy. Over half of the individuals covered by the State of Montana health insurance plan are dependents, yet there is little assurance of the accuracy of dependent eligibility.

---

### **Ineligible Dependents Identified**

Our second objective was in part to determine impacts from limited system of controls. We compared data in the state human resource system to vital statistics and unemployment insurance databases to determine whether ineligible dependents are covered by State of Montana health insurance. Using data mining software, we compared three state databases, matching particular fields within the databases, to identify whether there are any ineligible dependents covered by State of Montana health insurance. Data mining is the automated

## Chapter II – Program Requirements vs. Program Controls

---

search of large volumes of data to look for patterns and/or matches. The Bureau of Vital Records provided data on death, marriage and divorce and the Department of Labor and Industry provided unemployment insurance records. We compared the entirety of each database against data back to January 2005 in DOA's state human resource system. Comparing name, date of birth, and identification number in these databases produced reports of potentially ineligible dependents with regard to provisions of the state health insurance plan. For example, we found the following discrepancies:

- ▶ Deceased dependent (1)
- ▶ Divorced employees with ex-spouses (5)
- ▶ Dependent children who are married (16)
- ▶ Dependent children potentially working full-time (127)

For each match, names were verified through SABHRS to determine if the match information reported was still current. For example, on matches for divorced employees, names were reviewed to determine if the ex-spouse was still covered as a dependent under the employee's name. For married children age 18-25, the employee's name was used to determine if his/her married child was still covered under State of Montana health insurance. As for children age 18-25 potentially working full-time for an employer offering benefits, follow-up work was completed to determine if the dependent was a child or a spouse. Upon determination of a child working full-time, audit work verified whether the employer offers benefits to full-time employees.

---

### Monetary Impacts to the State of Montana

The total number of potentially ineligible dependents identified is 149. This is out of all 16,000 dependents insured with the state. Audit testing found potentially ineligible dependents in each category. To provide perspective on the monetary impact of ineligible dependents to the state health insurance plan, we analyzed claim data on 22 of the 149 ineligible dependents. We did not include ineligible dependents categorized as "children working full-time" due to the need to verify actual eligibility based on an individual's specific employment status, as well as some data

## Chapter II – Program Requirements vs. Program Controls

limitations. Unemployment data used to obtain information in this category is reported quarterly, therefore, it is possible some dependents in the stated category may not have been eligible for benefits through their employer the entire year.

The following table illustrates the monetary impact for the sample of ineligible dependents we analyzed.

Table 2				
<u>Sample of Ineligible Dependents Reviewed and Associated Dollar Impact to the State</u>				
Type of Dependent	Months Ineligible	Medical Claims	Pharmacy Claims	Dental Claims
Deceased				
	10	\$ 0	\$ 0	\$ 0
Former Spouses				
	14	\$ 11,207	\$ 14	\$ 0
	19	0	0	0
	27	163	0	0
	44	77	0	0
	75	0	0	0
Married Children age 18-25				
	15	\$ 84	\$ 17	\$ 0
	18	0	0	0
	21	0	0	0
	21	0	0	92
	22	0	0	0
	27	129	0	0
	30	0	0	0
	35	11,533	17	157
	38	54	0	0
	40	0	0	1,095
	41	0	0	3,445
	44	8,110	99	925
	44	0	0	0
	51	0	0	0
	52	0	0	0
	65	0	0	0
Total		\$ 31,357	\$ 146	\$ 5,714
Grand Total				\$ 37,217
Source: Compiled by the Legislative Audit Division from department records.				

## Chapter II – Program Requirements vs. Program Controls

---

The number of months in which ineligible dependents were covered under state health insurance ranged from a minimum of 10 to a maximum of 75 months. Of the 22 dependents sampled and illustrated in the above table, 11 had \$0 in claims paid out by the state, 6 of the ineligible dependents had less than \$200 and 5 had over \$1,000 paid out in claims while being ineligible for coverage on the State of Montana health insurance.

Regardless of costs relative to claims paid, it is important to have a system of controls in place to assure integrity, especially given the rising insurance costs. Due to DOA's limited controls, adverse monetary impacts have potentially affected both the state and its health insurance program. The next chapter discusses how these impacts can be mitigated, which continues to address our second objective.

### **Recommendation #1**

**We recommend the Department of Administration develop additional controls to accurately verify dependent status.**

# Chapter III – Additional Accountability Needed

---

---

## Introduction

In addition to identifying potential impacts, we also looked at industry standards and other states. The purpose was to identify practices used to mitigate coverage of ineligible dependents.

---

## Industry Standards Affirm the Need for Eligibility Verification

Industry standards recommend conducting eligibility audits as a means to monitor eligibility. National human resource and benefit consulting firms are leaders in conducting eligibility audits. Large monetary savings are realized for companies by utilizing consulting firms to conduct eligibility audits. According to a leading benefit consulting firm that deals primarily with large corporations, certain types of companies benefit more from an eligibility audit than others. Two of the four criteria stated are applicable to the State of Montana:

- ▶ Organizations with routine high turnover in which the sheer volume of employee additions and terminations makes administering the plan difficult.
- ▶ Organizations with multiple locations and a centralized administration hub where direct access to employees may be limited.

According to industry practice, the key to assuring eligibility compliance is to require documentation proving dependents meet eligibility requirements. It is good practice for organizations to require employees to prove all dependents are eligible when they initially enroll in the plan. However, initial proof may not be enough on an ongoing basis. Family status and circumstances change frequently.

---

## Dependent Eligibility Audits Will Help

Regularly scheduled dependent eligibility audits would help assure the state's plan covers only eligible dependents. Dependent audits would also encourage employees to inform personnel of any changes in dependent eligibility. When employees are aware verification procedures are in place to make sure only eligible dependents are covered under the plan, they will be less likely to enroll or maintain coverage for an ineligible dependent. According to a newspaper article in the Dallas Morning News in December 2006, the increase of health care costs, as well as increased access to technological advances such as data mining software, are resulting in more

## Chapter III – Additional Accountability Needed

---

eligibility audits being conducted. The article reports the most common ineligible dependents found during these audits are children not meeting certain criteria and former spouses or partners.

---

### Other States Conduct Dependent Eligibility Audits

Due to a recommendation in a 2005 program evaluation audit, Georgia's State Benefit Plan began random audits of dependents to verify dependents were eligible for coverage under the plan. The audits initially requested documentation from one member at each payroll location. To achieve a more immediate impact, the Texas Employee Health Benefit Plan implemented an amnesty period, prior to completing a dependent eligibility audit, which allowed employees to remove ineligible dependents without penalty. Texas reported that during the four-month amnesty period 4,400 dependents were voluntarily dropped, with an estimated \$3 million of savings to the plan (Texas has around 521,000 members and Montana has around 36,000).

---

### Montana Can Do Better

Audit findings identified ineligible dependents being covered under the State of Montana health insurance plan for as long as 75 months and paying a minimum of \$37,000 in error for claims of ineligible dependents. In FY 2006 the state paid out a total of approximately \$90 million in medical claims for employees and their dependents. This constitutes 95 percent of program expenditures. Each ineligible dependent being covered adversely affects claim payments, premiums, and is an unnecessary expense to the State of Montana. DOA needs to implement a method of dependent eligibility verification to assure compliance with eligibility requirements, as well as help administer State of Montana health benefits in a fiscally prudent manner.

#### **Recommendation #2**

**We recommend the Department of Administration conduct random dependent eligibility audits through data testing to assure only eligible dependents are covered under the State of Montana health insurance plan.**

## **Department Response**

---





DEPARTMENT OF ADMINISTRATION  
DIRECTOR'S OFFICE



BRIAN SCHWEITZER, GOVERNOR

JANET R. KELLY, DIRECTOR

STATE OF MONTANA

(406) 444-2032  
FAX (406) 444-6194

MITCHELL BUILDING  
125 N. ROBERTS, RM 155  
PO BOX 200101  
HELENA, MONTANA 59620-0101

June 8, 2007

RECEIVED

JUN 08 2007

LEGISLATIVE AUDIT DIV.

Ms. Angie Grove  
Deputy Legislative Auditor  
Legislative Audit Division  
P.O. Box 201705  
Helena, MT 59601

RE: Audit #07-03: How the State of Montana Assures Dependent Eligibility for Health Insurance

Dear Ms. Grove:

The Department of Administration (DOA) has reviewed Performance Audit #07P-03 and the recommendations contained therein. Our response appears below.

A Corrective Action Plan (CAP) as required by MOM Management Memo #2-05-2 is enclosed.

Recommendation #1

We recommend the Department of Administration develop additional controls to accurately verify dependent status.

Response:

We concur. Although the current dependent eligibility error rate is less than one percent of all dependents covered, DOA will develop additional controls to enhance the current processes. DOA will establish access to database information, such as Vital Statistics records within the Department of Public Health and Human Services; and Unemployment Insurance wage records within the Department of Labor and Industry to verify dependent eligibility.

Recommendation #2

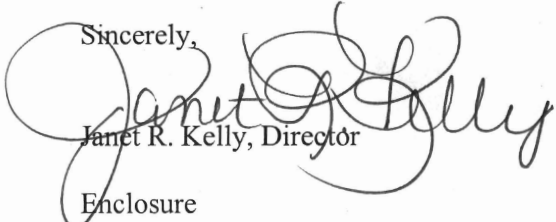
We recommend the Department of Administration conduct random dependent eligibility audits through data testing to assure only eligible dependents are covered under the State of Montana health insurance plan.

Response:

We concur. DOA will establish a process for conducting random dependent eligibility audits during the benefit year. Employee awareness of these audits will add another deterrent to ineligible dependents being covered on the State's health plan.

I would like to thank you and your staff for conducting this audit in a professional manner.

Sincerely,



Janet R. Kelly, Director

Enclosure

**Corrective Action Plan: Audit Report #07P-03**  
**How the State of Montana Assures Dependent Eligibility for Health Insurance**  
**Department of Administration**  
**June 8, 2007**

Agency	Recommendation #	Does this affect a federal program?	CFDA # (if previous YES)	Management View	CAP – Corrective Action Plan	Person responsible for CAP	Target Date
61010	<b>Recommendation #1:</b> We recommend the Department of Administration develop additional controls to accurately verify dependent status.	No		Concur	Establish access to Vital Statistics records through DPHHS and Unemployment Insurance wages through DOLI to verify dependent eligibility.	Casi Hunter, Health Care and Benefits Division	10/1/07
61010	<b>Recommendation #2:</b> We recommend the Department of Administration conduct random dependent eligibility audits through data testing to assure only eligible dependents are covered under the State of Montana health insurance plan.	No		Concur	Establish process by which random dependent eligibility audits are conducted during the benefit year.	Casi Hunter, Health Care and Benefits Division	1/1/08